

# Memorandum

To: Panel Members Date: January 23, 2003

From: Charles Rufo, Manager  
Peter DeMauro, General Counsel Analyst: R. Hernandez

Subject: One-Step Agreement for **Mariani Packing Company, Inc.**  
(www.marianipacking.com)

## **CONTRACTOR:**

- Training Project Profile: Retraining: companies with out-of-state competition
- Legislative Priorities: Promotion of California's Manufacturing Workforce and Moving to a High Performance Workplace
- Type of Industry: Manufacturing
- Repeat Contractor: Yes
- Contractor's Full Time Employees:
  - Company Wide: 248
  - In California: 244
- Fringe Benefits: Yes
- Union Representation: No
- Name and Local Number of Union representing workers to be Trained: N/A

## **CONTRACT:**

- Program Costs: \$137,280
- Substantial Contribution: \$0
- Total ETP Funding: \$137,280
- In-Kind Contribution: \$165,720
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Solano
- Duration of Agreement: 24 Months

**SUBCONTRACTORS:**

Catalyst Training and Consulting, Palo Alto, California - Training Services - \$148,000

**THIRD PARTY SERVICES:**

Catalyst Training and Consulting provided assistance with project development and the application. No fees were charged for these services.

**PRIOR PROJECTS:**

This is the third project with Mariani Packing Company. The following are completed project statistics for ETP Agreements with this Contractor within the last five years:

Agreement No.	Location (City)	Term	Agreement Amount	Amount Earned	% Earned
ET9-0897 Retraitees	San Jose	11/5/98 – 11/4/00	\$249,984	\$154,016	62%*

\*The prior project was not as successful as anticipated because the company's initiative to implement Activity Based Costing as part of its process improvement and cost reduction efforts was not fully implemented. Although several individuals received extensive training to gather and develop a costing structure for this project, difficulties occurred in accessing accurate data regarding line performance and costs. In addition, the decision was made to begin preparations to move the facility to Vacaville. For these reasons, many of the administrative personnel scheduled to receive training were never enrolled. Situated in its new facility, Mariani Packing Company is committed to this training program and successfully completing the project.

**NARRATIVE:**

Mariani Packing Company is eligible to contract with the Employment Training Panel under Title 22, California Code of Regulations, Section 4416(b) which states in part that a company engaged in manufacturing is deemed to meet the out of state competition requirement for purposes of Panel funding.

Established in 1906 in California's Silicon Valley, Mariani Packing Company has grown, dried, processed, and packaged dried fruits for four generations. Some of its customers include Kellogg, General Mills, Safeway, Kroger, American Stores, Albertsons, and Costco.

The industry is going through significant changes. The demand for dried fruits increases as Americans eat healthier. At the same time the demand increases, there is also an increase from national and international growers and suppliers. When global and local competition enter the marketplace, jobs are threatened with the introduction of new technology and better processes. Mariani competes with companies such as Morley Daniels (Congelton, U.K.), Watt and Scott (Montreal, Canada), Angas Park (Australia), South Africa Dry Fruit Association (South Africa), Homa (New York), and Anne's House of Nuts (Baltimore).

In the past few years, Mariani Packing Company has also gone through significant changes. In order to increase capacity, the company relocated its main production facility from San Jose, California, to

**NARRATIVE: (continued)**

Vacaville, California. The move quadrupled the overall square footage available for manufacturing, and new equipment worth 6 million was purchased for processing and mixing fruit.

To meet the demands of the industry, remain competitive, and optimize its new facility and workforce, Mariani Packing Company needs to become a high performance workplace. It needs to define and streamline processes, improve cycle time, maximize equipment performance, reduce scrap and rework, and improve internal and external customer satisfaction. Company management realizes it must control costs and the number of products it produces, improves processes, and retrain its employees.

This retraining is necessary for several reasons. First, Mariani Packing Company experienced significant changes during the move from San Jose to the new Vacaville facility. This transition affected most of the systems, procedures, and overall quality culture that existed in previous years. New employees must understand how the company runs and their expected involvement in quality and process improvement initiatives. Second, Mariani Packing Company must maintain and improve the level of quality for all products produced and shipped to customers. Since the move, the company has received slightly more complaints of errors that probably could have been avoided if better training had been provided to each and every employee. Not only are previous levels of quality expected, but also greater advancements in quality and delivery are expected to remain competitive. Third, with recent growth in sales, the company has implemented a new Information System (IS) to track sales orders, production orders, shipments, and the underlying financial transactions associated with this type of system. Implementation of a new system is always difficult, complicated, and people have to learn how to use the system and resolve many of the "bugs" found during the implementation. The training to be provided to all employees will focus on correcting these and other problems occurring in manufacturing and operations departments.

Mariani Packing Company proposes to retrain 177 Operators, Sorters/Line Workers, Quality Control Staff, Production Control Staff, Shipping/Receiving Staff, Leads, Supervisors, Managers, and Directors in Manufacturing Skills, Continuous Improvement Skills, and Literacy Skills.

**Manufacturing Skills:** Manufacturing Skills training will be provided to all production personnel (Operators, Sorters/Line Workers, Quality Control Staff, Production Control Staff, Shipping/Receiving Staff, and Supervisors). This training focuses on setting high expectations for safety, cleanliness, organization, equipment maintenance, and procedure development. Setting higher expectations will minimize production problems.

**Continuous Improvement Skills:** Continuous Improvement training will be provided to all trainees. The Statistical Process Control (SPC) tools to be taught will coincide with the implementation of new wireless data collection devices to be used throughout manufacturing. This will assist management in tracking production and reacting to process problems in a timely fashion. Problem Solving skills will be taught to all employees to ensure that everyone throughout the organization utilizes the same six-step process to identify, understand, resolve, and implement solutions to problems that occur throughout the company.

**Literacy Skills:** Operators, Sorters/Line Workers, Quality Control Staff, and some lower level management staff will receive 32 classroom hours of Literacy Skills training. Topics to be covered include Basic Workplace Terminology, Introduction to Process Terminology, Defect Descriptions, Workplace Sanitation and Good Manufacturing Practices, Understanding Procedure and Process Documentation, and Communication Defects and Production Problems. This training is necessary to help improve the overall communication and basic language skills for many of the new employees. Many of the newly hired workforce struggle to express problems and suggestions for improvements. The company expects Literacy Skills training will improve communication between employees and improve production processes.

**NARRATIVE: (continued)**

Training will be provided by Catalyst Training and Consulting, and Mariani Packing Company will provide project administration.

**Supplemental Nature of Training**

Mariani Packing Company certified that the proposed training is supplemental and does not displace training the company would normally provide. The previous ETP project focused on the company's initiative to implement Activity Based Costing which concentrates on financial causes and improvement. Additionally, the company currently provides regular management training sessions including corporate accounting and understanding financial statements. The company also provides orientation, company policies and procedures, and safety training to newly hired employees.

The training in this project is different because new employees will receive Manufacturing and Continuous Improvement Skills training to understand quality improvement processes, minimize production problems, and learn new information systems. Without ETP training funds, Mariani Packing Company would not be able implement a high performance workplace to improve cycle time, maximize equipment performance, enhance product quality, and improve customer satisfaction.

During the two years following the ETP Agreement, Mariani Packing Company intends to allocate approximately \$75,000 to its ongoing investment in employee team meetings, cross-departmental training, management training, Hazard Analysis and Critical Control Point (HACCP) training, business planning, advanced problem solving training, and reinforcement training.

**Frontline Workers**

According to the Contractor's representative, 170 trainees in this Agreement are frontline workers, as defined under Title 22 California Code of Regulations, Section 4400(ee). They directly produce or deliver goods or services. The only Manager/Supervisors participating in this Agreement are 5 Supervisors/Managers and 2 Directors representing 4 percent of the trainees.

**In-Kind Contribution**

Mariani Packing Company plans to provide an in-kind contribution of approximately \$165,720. The in-kind contribution includes: \$105,000 for employee's wages paid during training; \$50,000 to cover supplies, software to support training initiatives, and IS support to integrate SPC; and \$10,720 for excess costs of subcontractor performing training, at a higher cost than ETP is funding.

**COMMENTS:**

**Senior Policy Staff**

Mariani Packing Company representatives certify that no senior policy executives who create or implement company policy will be enrolled in the proposed ETP-funded training.

**PROPOSED ACTION:**

Staff recommends that the Panel approve the One-Step Agreement if funding is available and the project meets the Panel priorities. The recommendation is based on Mariani Packing Company's stated need to provide its employees with Continuous Improvement Skills, Manufacturing Skills, and Literacy Skills required to maintain its competitive edge, improve its manufacturing processes, and increase its level of customer satisfaction.

**TRAINING PLAN:**

Grp/Trainee Type	Types of Training	No. Retain	No. Class/Lab Videocnf. Hrs	No. CBT Hrs	No. SOST Hrs.	Cost per Trainee	Hourly Wage after 90 days
Job 1 Retrainees	Continuous Improvement Manufacturing Skills Literacy Skills	100	72	0	0	\$936	*\$10.98 - \$22.00
Jobs 2 & 3 Retrainees	Continuous Improvement Manufacturing Skills	77	40 - 80	0	0	\$520 - \$1,040	*\$10.98 - \$50.00
					<b><u>Range of Hourly Wages</u></b> *\$10.98 - \$50.00		
					<b><u>Prevalent Hourly Wage</u></b> \$15.04		
					<b><u>Average Cost per Trainee</u></b> \$776		
<b><u>Health Benefit used to meet ETP minimum wage:</u></b> *Medical, dental, and vision health benefits of at least \$1.74 per hour may be used to meet the 2003 ETP minimum wage of \$10.98 per hour for Solano County.					<b><u>Turnover Rate</u></b> 19.4%	<b><u>% of Mgrs &amp; Supervisors to be trained:</u></b> 4%	

MARIANI PACKING COMPANY  
MENU CURRICULUM

Class/Lab Hours

40 - 80

Trainees will receive any of the following

Manufacturing Skills

5S Implementation

Total Productive Maintenance (TPM)

Process Standardization

Continuous Improvement

Basic Problem Solving

Statistical Process Control (SPC)

Advanced Problem Solving

Advanced Statistical Process Control (SPC)

Literacy Skills Job 1 Trainees Only

(Maximum of 32 Hours, training is limited to 45% of total training hours.)

Basic Workplace terminology

Introduction of Process Terminology

Defect Descriptions

Workplace Sanitation and Good Manufacturing Practices (GMP's)

Understanding Procedures and Process Documentation

Communicating Defects and Production Problems